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TO : Department of State

INFO : ISLAMABAD, NEW DELHI, DEPARTMENT OF STATE A/CDC/MR

FROM : Amembassy KABUL

SUBJECT : Policy Review: A U.S. Strategy for the '70's

REF :

DEPARTMENT OF STATE A/CDC/MR	
REVIEWED BY	DATE
REVIEWED BY J.E. Keltch	DATE 1-26-84
PORTIONS DENIED AS INDICATED	
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Over the last several months, an intensive review has been held by the Mission of past policy statements and stated U.S. objectives, the problems facing Afghanistan, and the direction we believe our multi-fold activities should take in this decade. It has been a thought-provoking experience in which more than ever before various levels of all the Mission elements have had a direct opportunity to argue, nitpick, and contribute ideas. The "unthinkable" ideas, as well as the frivolous, have been raised and contemplated. At the outset we accepted nothing from the past as granted, as too holy or sanctified by contemporary or past doctrine to be unchallenged. The fact that many of the observations and a number of our proposals in the attached review will have a familiar ring attests to the fundamental nature of the issues involved.

The key observations of the review are:

1. U.S. direct interests in Afghanistan are limited, but within broad U.S. area interests Afghanistan has considerable significance;
2. U.S. objectives have been consistent for more than a decade and are still valid; we have done reasonably well in furthering these objectives;
3. Although there are a number of important factors favorable to continued realization of our objectives in this decade, the unfavorable factors now outweigh the former;
4. The current level of program activity permits us to have some influence and leverage on the RGA, but is not sufficient to remedy

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the fundamental problems which will deleteriously affect our objectives in this decade.

5. An expanded effort now on our part, and by others, would be seriously hampered by management weaknesses of the RCA and the absence of the will for, and commitment to, development, and


6. Should the government, however, indicate by actions its recognition of the crying needs of the country and evidence a thorough commitment "to get the economy moving," an expanded effort--coordinated with other donors to the extent possible--would be warranted.

In conclusion: Our interests here are important and could well become more significant as the USSR more aggressively pursues its Middle Eastern and Indian Ocean strategies. Our recommendations are based on an exhaustive review of this country's problems and how they affect our interests. We hope Washington will see the merit of beginning now to consider long-term solutions, which we have recommended in the review, and not wait for the crises to attract our attention; a crash program at that time would be too late.

NEUMANN 

Enclosure:

Policy Review (CONF)

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POLICY REVIEW: A U.S. STRATEGY FOR THE '70'sI. U.S. Interests and Objectives

For the United States, Afghanistan has at the present limited direct interests; it is not an important trading partner; it is not an access route for U.S. trade with others; it is not presently as far as is known a source of oil or scarce strategic metals nor does it appear likely that it will become so; there are no treaty ties or defense commitments; and Afghanistan does not provide us with significant defense, intelligence, or scientific facilities. United States policy has long recognized these facts.

The United States has, however, affirmed since the mid-1950's that Afghanistan has important interests for us which have in large part derived from its strategic location between Central Asia and the Indian subcontinent. Developments here have a direct impact on Pakistan due to the long open border, the tribal nature of the society on both sides of the border, and the historic Afghan interest in the Pashkun-inhabited part of Pakistan. Also, the long border with Iran and the historical and cultural differences between the two countries would facilitate subversive activities by an Afghan government unfriendly to Iran. Therefore, in the broad context of U.S. policy to help in the development of reasonably stable, politically responsive and economically viable non-Communist countries in this area, Afghanistan continues to have considerable significance. A modified "Great Game" is still being played and, thus, a U.S. strategy for the Indian subcontinent and the Indian Ocean basin to counter the current Soviet and Chinese efforts must take Afghanistan into account.

In addition to these traditional strategic concerns--still valid in our view--Afghanistan potentially has additional interests for us. At a time when friction between Pakistan and India is escalating and affecting the interests of the USSR, PRC, and U.S. in the area, ~~the~~ Afghanistan provides a continuing additional strategic foothold in the area and, at least in the short run, a country of relative stability. Also, in the very broadest sense of U.S. world objectives, which is supported by U.S. public opinion, this country's efforts to encourage a representative government with an approximation of Western institutions are important.

Flowing directly from these interests, the U.S. objectives in Afghanistan have been:

A. The preservation of Afghanistan's independence and territorial integrity;

B. The creation of a viable political and economic system, responsive through evolutionary change to the needs and desires of the people;

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C. The prevention of Soviet influence in the country from becoming so strong that Afghanistan would lose its freedom of action; and

D. The improvement of Afghanistan's ties with Pakistan and Iran.*

These objectives have been largely realized over the last decade, but there are many storm clouds for the next five to ten years. The problems facing this country--still one of the world's poorest and least developed in almost every sphere of national life--are extraordinarily complex and difficult to resolve, which will require vigorous and innovative leadership and continuing inputs of substantial foreign assistance if they are to be attacked with any hope of success.

II. Factors Influencing the Achievement of Our Objectives in the Next Decade

A. Favorable

1. Orientation of the Leadership. Today's Afghan leaders are essentially oriented to the West. Western institutions and style of life are more the models than Soviet practices. Also, the Afghans strongly desire a solid U.S. presence to offset Soviet influence and to signal the USSR that the United States remains interested in Afghanistan. Anti-Americanism is not now a problem for us.

2. National Attitudes. Although the multi-ethnic/linguistic nature of Afghanistan presently creates frictions and may in the future be the source of major internal problems, there is a growing sense of Afghan nationalism. The proverbial pride and strong feelings of independence, which have been referred to by writers for over a hundred years, are real and strengthen the leadership. The tribal and close family systems have their significant negative aspects, but in times of tension or crisis can be sources of strength. The Afghan people as a whole are strongly conservative, fatalistic, largely rural, and not yet deeply disaffected by their poor living conditions and the slow economic growth. This description, however, is changing and the change could accelerate quickly.

3. Population and Resources. Afghanistan is not now overpopulated in relation to its resources and economic potential and the population growth rate is an estimated bearable 2.0-2.5 per cent per annum. Economic growth at a rate of four to five per cent per year would have a significant impact if the population growth rate is anywhere near accurate.

4. The Military. Afghan defense expenditures, although small compared to many developing countries, constitute a drain on scarce resources. However, a strong and loyal military force is a prerequisite for internal stability in view of the potential problem of the tribes, and it also acts as a force for national unity. There is no present evidence of widespread anti-regime or pro-Communist sentiment within the armed forces, and top leadership is well inclined to the West. *This formulation varies only slightly from NSCIG/NEA 69-23 of August 1969.

There is, however, no effective organization within the military to counter or even catalog the long-term, possibly subversive effect of Soviet training of the many military officers who go to the USSR for stints as long as six years.

B. Unfavorable Factors:

1. The Quality of Leadership: Although over four thousand Afghans have been trained abroad in the last two decades, the country remains woefully bereft of that kind of leadership at most levels of the government and society which is committed to modernization or is expertly knowledgeable about the concepts, techniques, and processes of development. Also those few Afghans who have these qualities are frequently not given responsibility, are fearful, with good reason, that zeal would be misunderstood at top levels, and are hemmed in and discouraged by an inefficient, antiquated bureaucracy. At the higher levels of government, there are few officials who have "managerial ability."

This state of affairs is due in substantial part to the "newness" (only 15 years) of directed economic development in this country, the absence of a recent history of effective government where initiative and ability are rewarded, the conservative nature of the society where family and tribal ties are frequently overriding, and the low salaries and economic plight of civil servants.

2. State of the Economy: Detailed analyses of the Afghan economy by the IMF, IBRD, ADB, and Embassy/USAID are available for reference. Briefly, the key problem areas are these:

- a) Absence of a national commitment to transforming the economy and the society from traditional to modern;
- b) Limited effective management skills at all levels; serious weaknesses in the ability to plan, marshal resources, allocate and supervise;
- c) A poorly mobilized revenue base with resultant reliance upon substantial budget deficits;

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d) Stagnation at a low level of exports and a continuing relatively high level of imports. The debt repayment burden is increasing, and the balance of payments situation is weak;

e) The small pool of middle-level, technically skilled manpower able to contribute to a modernizing economy;

f) The continuing food grain deficit and the largely static underdeveloped agricultural sector;

g) A minuscule and only slowly growing industrial sector with mismanaged state enterprises not yet contributing significantly to exports, only marginally providing import substitution items; and not yet a source of significant employment;

h) An outmoded and inefficient educational system which, while slowly being modernized, is rapidly increasing the number of lycees and university graduates who expect useful employment;

i) Totally inadequate statistics; and

j) Migration to the few urban centers, particularly Kabul, is gradually becoming a source of instability as unemployment rises and municipal services become increasingly strained.

3. The Soviet Presence. The United States has long understood that Afghanistan has had little choice but to have close relations with the USSR. Among the factors are: the long border, the slowly developing desire to transform the economy and the concomitant need for massive economic assistance; the decision to have a modern military force; and the intermittent preoccupation with its quarrels with Pakistan. The Soviets responded to these opportunities and since 1953 they have assiduously exploited the situation and developed a strong position here with considerable and growing influence and leverage.

a) The USSR is Afghanistan's largest trading partner, taking about 38 per cent of Afghanistan's exports by value and supplying 34 per cent of the imports. A high percentage of the exports to the Soviets have no alternative market at this time;

b) Afghanistan's debt payment to the USSR in 1969-70 was \$12 million out of a total of \$27.8 million foreign debt payments and by 1972-73 will be \$19.6 million out of a total of \$33 million;

c) It is almost certain that the Soviets have developed a number of Afghan agents in most key ministries and its sizable intelligence complement operates without hindrance;

d) The Soviets are in a position almost to force military weapon modifications on old equipment and they keep a tight control on spare parts;

e) The large Kabul Polytechnic and the two subsidiary technicums give the Soviets an important entry into the educational field. Also, the Soviets have successfully pressured the RGA to nominate new lycee graduates for long-term training in the USSR; and

f) The Communist countries have large and growing civilian and military student exchange programs, and the Soviets have a vast propaganda apparatus at work here.

The accumulative effect of all these factors is that the USSR is pre-eminent among foreign powers here and, although the RGA may not do everything the Soviets wish it to do, it is rare that the RGA does what the Soviets strongly wish it not to do.

4. Growth of the Left - Weakness of the Center. In the last four years, the leftist forces, both pro-Moscow and pro-Peking, have made important gains among students and the urban-oriented, lower-level professionals, e.g. lycee teachers. Leftist demonstrations have become common. Essentially the increasing strength of the left is a reflection of the growing disillusionment and frustration with the existing social/economic conditions and the apparent inability or unwillingness of the leadership to tackle boldly the nation's problems.

Unfortunately, moderate political leaders are ineffectual, divided, by and large members of the establishment, and of an older generation. They are not, in effect, offering the younger generation alternatives to leftist programs.

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In sum, we are confronted with a real and present danger that the left will pre-empt control over the politically-conscious youth and the disenchanted.

5. Conflict Between Parliamentary and Executive Branches. As was expected, the "experiment in democracy" has had a rocky road. Neither branch of government has shown an acute awareness of the need to establish procedures to lessen friction and to ensure that vital legislative matters are handled effectively. As a result, in terms of economic development, the present system is barely working and the King finds himself steadily becoming more ensnared in the quarrels of the two branches of government. Both sides are at fault and there is no easy simple solution. Parliament's incompetence and poorly conceived internal rules of procedure stemming from the lack of experience, the low level of educational background of a large proportion of the deputies and the absence of well-defined internal groupings have greatly hindered its operations. On the other hand, the executive branch's inexperience in handling an elected parliament with real power, the apparent distaste of many key government figures for democracy at this stage of Afghanistan's development, the reluctance to share power and the arrogance of the self-styled intellectuals toward what they consider parliamentary "country bumpkins" have equally contributed to the impasse.

6. Multiplicity of Uncoordinated Donors. The RGA continues to receive economic assistance in the form of loans and credits for technical assistance, capital development, and commodity aid from the USSR, USA, FRG, FRG, UN (and all of its Specialized Agencies), IBRD, ADB, France, Czechoslovakia, Yugoslavia, the UK, Japan, Bulgaria, Denmark, Sweden, India, etc. Thus far there has been no formal coordination of these programs and only limited informal coordination. Happily there has been no grievous duplication or overlap because of the ad hoc understandings among the donors. Unhappily this situation has resulted in an RGA ability to "shop around" for assistance for new projects or areas of concern rather than making the kind of hard decisions which would result in a greater effort on its part to carry out the proposal on its own or make an effort to evaluate the new proposal in hard-nosed fashion. As a further consequence the RGA has only recently concerned itself with the quality of terms offered by different donors because of the rapidly burgeoning debt repayment burden, but with little evidence of implementing this realization at this time.

7. Attitudes toward Iran and Pakistan. Although substantial progress has been made toward a settlement of the Helmand Waters problem which could open further areas of cooperation, the persisting traditional suspicions on the part of both countries still have to be overcome. The Pushtunistan issue has been on the back burner, and President Yahya initially took the right steps to improve relations. Although the RGA's public stance was scrupulously correct, there is no question that the MIA's action in East Pakistan was deeply resented here and consequential instability in West Pakistan could bring about a sharp rise in tension.

III. Program Recap

Our present program in Afghanistan supports our objectives in the following manner:

A. The Preservation of Afghanistan's independence and territorial integrity.


- Public and private support for Afghan non-alignment;
- Frank and continuing talks with the King and others on problems of this country and the country's needs;
- Visits by high-level U.S. officials which assure Afghan leaders of our continuing interest; and
- Substantial infrastructure assistance in the past and at present a highly useful technical assistance program supplemented by loans in key areas and substantial training of Afghans.

B. The creation of a viable political and economic system, responsive through evolutionary changes.

- Substantial infrastructure assistance in the past and at present a highly useful technical assistance program supplemented by loans in key areas;
- Some assistance and encouragement to the new institutions --the judiciary and parliament;
- Education and information programs aimed at potential as well as present leaders;
- Exchange and training programs (CU, USAID, and The Asia Foundation);
- Peace Corps Volunteers in important development activities;
- Contact and dialogue with large numbers of Afghan officials in all branches of government, and non-officials.

C. The prevention of Soviet influence in the country from becoming so strong that Afghanistan would lose its freedom of action.

- Economic assistance programs including technicians and advisors in key Afghan development ministries, training of Afghans abroad, and a substantial role in education;
- Energetic USIS and CU programs concentrating on existing or potential leadership groups to foster an understanding of U.S. policies, as well as to try to transfer some Western attitudes;
- Military assistance training programs;
- Collecting information on Soviet activities, apparent objectives, and techniques;
- Coordinated English language teaching programs (USIS, USAID, PC, and DATT);

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- Presence of 140 PCV's throughout the country; and

- Exchange programs (CU, USIS, USAID, The Asia Foundation)

D. The improvement of Afghanistan's ties with Iran and Pakistan.

- Behind the scenes encouragement and informal advice and assistance in resolving the Helmand Waters problem; and

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- Frank exchange of views and assessments on Pakistan affairs in order to reduce misinterpretation and misunderstandings.

IV. BGA Priorities (As we see them)

Looking ahead, we believe the BGA should establish its priorities as follows:

- Display dynamic and positive leadership, with an overriding commitment to economic development;
- Make a major effort to improve relations with Parliament (if that development eventuates, the King should sign the Political Parties and the Provincial Councils Bills to continue the expansion of the "experiment in democracy");
- Regaining student confidence;
- Major administrative reform, including some decentralization of authority and a more effective planning mechanism;
- Agricultural development (rural public works, new water resources, fertilizer, improved management of Ministry, expanded extension services, crop diversification, etc.);
- New legislation to encourage the private investment sector (Banking, Commercial Code, Mortgage, Minerals and Petroleum);
- Increase revenue base;
- Export promotion and tourism;
- Political education of populace through better use of existing media;
- Continue present policies toward the tribes; and
- Continue low-key policy toward Pakistan and resolve Helmand River issue with Iran.

V. Where Do We Go From Here?

A. Political/New Institutions. In general, we recommend a continuation of our varied activities with some important changes in emphasis in order to relate our programs more directly to the problems affecting our objectives.

1. A continuation of verbal pressures on the King and top leaders by the Ambassador, high-level U.S. visitors, and by U.S.

officials in their contacts with Afghans in Washington concerning our disappointment with the slow rate of, and absence of a commitment to, economic development;

2. Regular and meaningful contacts with the democratic (center and left) political opposition, particularly the young emerging leaders, both by Mission officers and in cultural/seminar/exhibition programs;

3. An invitation be presented to the King and Queen to visit the U.S. soonest and that the program be carefully designed to give the King maximum exposure to democratic political processes and the American approach to problem solving;

4. Afghanistan be included in the initial planning for high-level U.S. visitors to the region;

5. An invitation to the Crown Prince to visit the U.S. about one year after the King and Queen;

7. The formulation of a five- to ten-year development plan with the Supreme Court, to include inputs by USAID, The Asia Foundation, and the International Legal Center; and

8. As the political situation permits and parliament feels the need for assistance, the start of a multi-pronged approach to improve the operations of parliament which could include over the next five years such activities as:

a) Two or three parliamentary tours of the U.S.;

b) Assistance in parliamentary organization (when desired by the Afghans) by the Library of Congress (Asia Foundation could sponsor) or encourage assistance by other Western parliamentary experts; and

c) Visits by small CODEL's or representatives from one of the more effective state legislatures to exchange experiences with Afghan counterparts, etc. (No CODELS have visited here since 1968.)

9. Continuation of a vigorous, well coordinated English language teaching program by Peace Corps (about 30 per cent of PCV's) and USIS.

3. Military Assistance. This is a good program with good results. For the future, we recommend:

1. That the MAP Budget be increased to \$250,000 per year and that we be prepared to go to \$300,000 should Afghan requests and needs warrant;
2. That we offer a demonstration at Jashyn 1972 by one of our aerobatic flight teams or the Army (Air Force) Field Band; and
3. That we offer on a yearly basis a one-week lecture series by a qualified senior U.S. officer on some mutually agreeable military subject to be given to top Afghan officers.

C. Psychological/Informational.

1. Assure RCA of continued U.S. support for the policy of non-alignment and bring home as we can the dangers of losing Afghan flexibility in dealing with the Soviets;
2. Stress U.S. commitment to world peace, our efforts to resolve major problems (SALT, Viet-Nam, Middle East);
3. Encourage continuing development of a pluralistic, open society and contrast this to closed systems of communist countries;
4. Support USAID and other U.S. and Western assistance efforts especially in the case of the former, the Helmand Valley, and the development of a private industrial sector;
5. Foster active understanding by intellectuals and students of American values; and
6. Help improve standards of Afghan journalism so that the media will be better able to serve as an instrument of economic development, political education, and national unity.

D. Economic/Technical Assistance. The U.S. has three basic options in the assistance field:

1. Option One. Decrease substantially (or consciously phase out) our assistance;
2. Option Two. Maintain it at approximately the present level with the possibility of a modest increase; or
3. Option Three. Accept Afghanistan as an area of "unfinished work" and be prepared to coordinate closely with the UNDP, IBRD, and ADB in a significantly enlarged program with a U.S. input ranging from \$15-20 million per year for a decade.

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E. Option One. A substantial reduction in technical/economic assistance would be viewed by the RGA as tantamount to preparation for phasing out and as firm evidence of the U.S.'s loss of interest in this country. The RGA would be deprived of much of the flexibility it now has in dealing with the USSR and the self-confidence of the leadership would be severely undermined. The U.S. decision would probably invite other Western bi-lateral donors to follow suit, accelerating still further Afghan dependence on the USSR. The present westward-leaning leadership would be undercut domestically and exposed to the attacks of the radical left and right. Finally, the leverage or influence we now possess in ameliorating Afghanistan's relations with Iran and Pakistan, as well as in pushing, prodding, and cajoling Afghan leaders to necessary actions in the economic/social fields, would probably disappear.

We therefore reject Option One as totally deleterious to the achievement of our objectives.

The Mission strongly recommends, therefore, a phased combination of Options Two and Three, with the latter dependent upon the performance of the RGA.

As we have briefly related in Part II, the commitment, motivation, skilled manpower, managerial talent, and local resources are probably at this moment not sufficient to warrant an immediate greatly accelerated program on our part or that of other contributors. Waste of resources would be considerable or, in other words, the cost/benefit ratio, either economically or politically, would not warrant the effort. However, we believe there is now considerable ferment in the government, parliament, and society at large. This ferment will shortly express itself in more strident demands for change, economic improvements, and a greater sharing of the benefits of development, and could (50-50 chance) force the highest levels of the RGA--which, as we have noted, only react and do not initiate or innovate--to commit themselves more to development and to commence the painful process of sharing power and responsibility.

Until necessary attitudinal, motivational, and structural changes in government occur, the U.S. should adopt Option Two, clearly recognizing that it is an interim program which is carefully tailored to address key problem areas affecting the achievement of our objectives and which fulfill earlier commitments. After review, we recommend the following program, which will cost \$7-8 million in USAID funds and will involve about 120 Peace Corps Volunteers:

Agriculture: The objectives are to create an effective Ministry of Agriculture by the late 1970's by building further on the present extension and agriculture research efforts, and making a major effort in the management and policy areas. Technical assistance to achieve the latter would be dependent on the renewed determination of the

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Minister to actually carry out the necessary reforms. The goal of wheat self-sufficiency by 1972 was predicated on the country's receiving a normal amount of precipitation and the availability and distribution system for required inputs. However, self-sufficiency will not be achieved as planned in 1972 due to the lack of an adequate fertilizer distribution system and a two-year period of abnormally low precipitation throughout the country. It remains a serious joint objective for the mid-1970's under the Fourth Five-Year Plan. As self-sufficiency is reached, a special effort will be put forth by the RGA supported by USAID in diversifying Afghan agriculture in an attempt to increase substantially exports by the late 1970's. This project will continue when the existing efforts and in FY 1973. About 15 per cent of the PCV's will be in agriculturally-related projects.

Helmand Valley (HAVA): Based on available data, it appears that after many years of U.S. assistance, the Valley is on the verge of a breakthrough in the wide-scale adoption of more modern agriculture methods, with the concomitant substantial increase in agriculture production. The emphasis will be to support HAVA's agriculture diversification efforts, agricultural credit, on-farm water management, agro-business, and possibly sub-regional development through loans or grants. This project is expected to continue for at least five years after the present project ends in FY 1973.

Management and Mobilization of Resources: The purpose is to help the RGA to:

- A. Develop a "critical mass" of personnel with a deep and real commitment to the effective employment of modern management skills for Afghanistan's economic development; and
- B. Create the system whereby a more effective mobilization of resources can be achieved.

Expert assistance would be provided in the finance, budgeting, public administration, economic analysis, and legal fields. A major component of this area effort will be in training 25-35 specially selected potential Afghan leaders in planning, statistics, economic policy analysis, public administration. These trainees would be selected by a special joint USAID/RGA blue ribbon committee reporting to the Prime Minister and sent for approximately two years (one year academic, one year on-the-job training) to the U.S. or Iran. Continued over ten years this would develop an important cadre of well-trained officials in development management. This project will continue for at least five years through the Fourth Five-Year Plan.

This training, in one way, is a continuation of past USAID training patterns. It differs from the past in its emphasis on public administration and development planning skills. While the majority of

the ministers of the second Ezzadi government were Western trained and oriented, it was not by any means a government that emphasized modern management skills. While a cadre of well-trained officials in development management must be created to provide the leadership, some form of in-service/pre-service training for the middle and lower ranks of the Afghan bureaucracy must be established. It is the latter group that will carry out any long-range development program. Option Two envisages that after several years--about the mid-70's--the proposed overseas training in development management would be augmented in Afghanistan by the creation of a management institute or institute of national administration in the Prime Ministry or at Kabul University.

Statistics: Without the availability of reasonably accurate data, adequate planning cannot be carried out. The purpose is to establish a central RGA statistical unit by 1972 and create the ability to conduct surveys and census and compile several statistical series. This project is expected to start in FY 1972 and continue for at least five years.

Private Enterprise: Based on the beliefs that the Afghan economy will not move forward with any alacrity unless the energies of the private sector are truly released and the private sector has more influence within the country, USAID's efforts are centered on helping to develop a private industrial group to stimulate exports and import substitution and, if slightly more resources are available, to assist the RGA to create a modern private banking system. A major effort in this area would be to help develop as rapidly as possible the nascent agro-business group.

Primary Education: The objective is to help the RGA prepare new modern textbooks for the primary schools in Afghanistan. Hopefully this project will be completed by FY 1977.

Kabul University: The concept of the new project to begin in FY 1973 is to create a Joint Advisory Council, establish a junior faculty training program, a senior faculty exchange program (ten Americans and ten Afghans each year), and provide a team of advisors of the University Rector and his main Vice-President.

Family Planning: Hitherto this has been a small cautious program centered on introducing family planning/guidance. In the future, it is hoped that P/PF will develop an even greater momentum and be effectively integrated in the country's Basic Health Centers.

PL-480: Hitherto PL-480 assistance has been provided on an ad hoc basis and justified on the basis of an estimated food, especially wheat, deficiency. Local currency generated from the sale of such wheat is looked upon by RGA budgeters as a source of revenues for the development budget. Since it now appears Afghanistan will not

achieve food grain self sufficiency immediately, and that the RGA does not wish to import all needed food grains from one source (the USSR), the U.S. will be called upon to provide PL-480 wheat and probably some oils on a grant and/or loan basis.

Loans: In addition the U.S. should be receptive to small loan requests, e.g. fertilizer, farm equipment, etc.

Public Services: The Peace Corps will assign about 15 per cent of the Volunteers to such activities as rural public works; architects, city planners and demographers, engineers, surveyors, etc.

Public Health: Approximately nine per cent of the Volunteers will be in tuberculosis and smallpox control, laboratory technology, nurses training, potable water projects, and family planning (see above).

Miscellaneous - Education: In addition to the major projects of Primary Education, Kabul University, and the multi-agency activities in English language teaching, PCV's will be engaged in math and science teaching in the provinces, architecture at Kabul University, guidance counselling, physical education, and secretarial training.

It is imperative to recognize, however, that this program, together with current programs of other bi-lateral or multi-lateral donors, is not sufficient to "get the economy moving" and to attack the fundamental problems which will deleteriously affect our objectives in this country over the next decade. A much expanded, coordinated effort of bi-lateral and multi-lateral donors is required.

The Mission, therefore, strongly urges that a formal Afghanistan Working Group be established with representatives of State, AID, and DOD, with members of other departments and agencies to be invited on an ad hoc basis to start the process of charting a long-term program of assistance; that the USG move forward with discussions with the IBRD, ADB, and UNDP (as possible) to develop a reasonably integrated ten-year program; that as the outline of this program takes shape the UK, FRG, and possibly India be invited by the UNDP or IBRD to join and that they then formalize themselves into a Consortium or consultative group for Afghanistan. We do not believe the USSR or China would be interested in joining such a consortium, but, should they show the inclination, invitations should be issued.

Following careful and realistic deliberation, this consortium would establish criteria (or indices) as to when major new inputs would be advisable -- in other words general benchmarks against which to measure the RGA's demonstrated motivation and administrative competence. These indices could include: a public statement by the King followed by his confirming actions that his Government is committed fully to economic

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development as its first priority; drafting a Fourth Five-Year Plan that is integrated, sectorially consistent, and can be done; changes in the Ministry of Agriculture needed to achieve food self sufficiency; creation of a planning body at the highest level responsible for planning and not implementation; implementation of the Industrial Development Bank of Afghanistan; passage of minerals and petroleum codes that would encourage commercial exploration and exploitation; and implementation of a new Commercial Code that would permit private foreign banks to operate. The list is incomplete but achievement of these would be considerable progress.

In the event that His Majesty, the Royal Family, and the Afghan government now forming or its successors should meet these or similar criteria, the U.S. could then consider an "Option Three" or "unfinished business" approach.

In addition to activities under Option Two, the areas of major increase in U.S. assistance under Option Three would be in the provision of PL-480 wheat and/or oil for food-for-work programs on feeder roads, small irrigation works, potable water systems, etc. in selected provinces. Substantial loans or grants for fertilizer, tools, and agricultural machinery equipment would be seriously considered. The food-for-work or rural works program would most probably be carried out as a cooperative affair among the RCA, UNDP, USAID, and Peace Corps.

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